



May 15, 2003

Dear Marina Lessee:

**The 2003 Washington State Legislature recently passed new legislation requiring marinas located in whole or in part on state-owned aquatic lands to complete and return by fax or mail the enclosed income reporting form before July 1, 2003.** This new legislation, Substitute House Bill 1250 (SHB 1250), directs the Department of Natural Resources (DNR) to collect marina gross business income information and develop recommendations for the eventual establishment of a new method of calculating marina rents – one based on a percentage of the marina's income. Final recommendations will be presented to the 2004 Legislature. Should the Legislature act upon the recommendations, the new method for calculating marina rents will become effective on July 1, 2004, and implemented for individual marinas on their lease anniversary date. Enclosed you will find a copy of SHB 1250.

Under SHB 1250, DNR is directed to collect information from marinas that have a lease with the DNR. The new statute directs marinas, located entirely or in-part on state-owned aquatic lands, to return the enclosed income reporting form to the DNR by July 1, 2003. The Department will take the data from all the income reporting forms and use this information to develop recommendations for the Legislature on what type of DNR leases will be subject to an income-based rent structure; what income sources will be used to determine rent; and, to calculate the percent of income marina lessees must pay the DNR as annual rent.

The Legislature has directed that the income model must initially be revenue neutral. That is, it must ensure that DNR's revenue from marina rents in 2004 be no less than what it collected in 2003. In order to calculate a percent of income which will accomplish revenue neutrality, as the legislation requires, the Department will calculate the total gross business income attributable to state-owned aquatic lands, and divide that number by the total amount of rent charged for marina leases in-effect as of July 1, 2003 to obtain the percentage(s) that marina rents will be based on as of July 1, 2004.

The Department will treat the identity of each marina as confidential. Information gathered will be coded, and subsequently referred to only by that coded number to protect confidentiality. Final recommendations to the Legislature will not include information on individual marinas; instead, this information will be provided in a summary format. The Department believes that these questionnaires are exempt from public disclosure as research documents, and thus are specifically exempted from the public disclosure law for five years under RCW 42.17.310(1)(h). The Department will rely upon this exemption in an effort to maintain the confidentiality of any marina's



identity. If research information is shared with the public, we will use the coding system to omit any reference to an individual marina. However, if there is a challenge to the Department's use of the exemption, all information gathered may need to be disclosed. We will attempt to inform you if a challenge to the public disclosure exemption is made. If you have any concerns about confidentiality that are not adequately addressed in this letter, you should consult with your own legal counsel.

The marina industry has indicated their strong desire to move away from a rent methodology that is based on the value of adjacent uplands. This is your opportunity to ensure that future rents for marinas will be based on gross income rather than upland property values. If the Department does not receive responses from at least 75% percent of the marina lessees, whose total rents represent at least 90% of DNR revenues from marina rents, the Department will not have enough information to establish a percent of income. In the event this occurs, the income model will not be adopted and the existing method used to calculate marina rents will continue to apply. The form must be completed in its entirety or we cannot include it for the purpose of calculating the percent of income.

Enclosed is the income reporting form developed per the requirements of SHB 1250. This form must be completely filled out, certified by the lessee and a licensed certified public accountant (CPA) and returned to DNR *before July 1, 2003. The DNR must receive all forms no later than July 1, 2003, or the form will not be included in the final calculations to establish an income model.* You must complete one form for each DNR lease. If you sublease all or a portion of your marina (excluding individual slips leased month to month or year to year), the sub lessee of state-owned aquatic lands must also complete the income reporting form. Failure to have a sub-lessee complete the form will result in the disqualification of your form. Failure to have a licensed CPA certify your form will also result in the disqualification of your form.

We recognize that the above-request may seem onerous. DNR staff has spent the past two years working with members of the marina industry, attempting to resolve longstanding concerns over marina rent. The Legislature determined the best course, at this time, is to establish an income-based approach to calculate marina rents, and to make the system, initially, revenue neutral. In order to make the transition to an income-based system, DNR lessees must provide preliminary information. We realize this is a busy time of year for marinas. However, we need your help if we are to make the change to an income-based system. Please take the time to fill out the enclosed form. If you have any questions, you may contact Kristin Swenddal at (360) 902-1124 or Michal Rechner at (360) 902-1075, who can assist you with your questions.

Thank you for your cooperation

Sincerely,



Francea L. McNair  
Aquatic Lands Steward

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